



Department of Justice

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GERMAN CHEMICAL GIANT CHARGED WITH PARTICIPATING IN 17-YEAR INTERNATIONAL PRICE-FIXING CONSPIRACY

Hoechst AG Agrees to Pay \$36 Million Criminal Fine

WASHINGTON, D.C. -- A German chemical and pharmaceutical giant today agreed to plead guilty and pay a \$36 million criminal fine for participating in a 17-year international conspiracy to fix prices and allocate market shares on the sale of sorbates in the United States and elsewhere, the Department of Justice announced.

In a one-count Information filed today in U.S. District Court in San Francisco, the Department of Justice charged Hoechst AG and Bernd Romahn, former Marketing Manager of Hoechst's Food Ingredients Business Unit, with conspiring with unnamed sorbates producers to suppress and eliminate competition in the sorbates industry from 1979 until 1996. In addition to the \$36 million fine against the corporation, Romahn has agreed to plead guilty and pay a \$250,000 criminal fine for his role in the conspiracy. As part of the plea agreements, Hoechst and Romahn have agreed to cooperate in the ongoing government investigation

"The Department will continue to seek out and prosecute all international conspiracies that increase prices for consumers and unfairly impede free and open competition in our market," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division.

This is the second case filed as a result of the Department's ongoing investigation into illegal, collusive practices in the sorbates industry. In October 1998, Eastman Chemical

Company, a U.S. producer of sorbates, pleaded guilty and was fined \$11 million for its participation in the conspiracy.

Sorbates are chemical preservatives used primarily in high-moisture and high-sugar foods such as cheese and other dairy products, baked goods, and other processed foods. Roughly \$200 million worth of sorbates—which include potassium sorbate and sorbic acid—are sold annually worldwide. The conspiracy affected nearly \$1 billion in United States commerce.

“This was an extraordinarily durable and long-lived international conspiracy,” said Gary R. Spratling, the Antitrust Division’s Deputy Assistant Attorney General for criminal enforcement. “This kind of long-term criminal activity, which has been defrauding American consumers for years, must be rooted out and prosecuted.”

The single-count felony Information charges the company with:

- Participating in meetings and conversations to discuss the prices of sorbates to be sold in the United States and elsewhere;
- Agreeing, during those meetings and conversations, to charge prices at certain levels and otherwise increase and maintain prices of sorbates to be sold in the United States and elsewhere;
- Agreeing, during those meetings and conversations, to allocate market shares among major producers of sorbates in the United States and elsewhere;
- Issuing price announcements and price quotations in accordance with agreements reached; and
- Participating in meetings and conversations to discuss prices and sales of sorbates to be sold in the United States and elsewhere, and exchanging information on sales of sorbates in the United States and elsewhere, for the purpose of monitoring and enforcing adherence to the agreed-upon prices and market shares.

Hoechst and Bernd Romahn are charged with violating Section 1 of the Sherman Act, which carries a maximum fine of \$10 million for corporations. The maximum penalty for an individual convicted of violating the Sherman Act is three years in prison and a fine of \$350,000. The fines for both corporations and individuals may be increased to twice the gain derived from

the crime by the conspirators or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine. The court will determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

Today's charges are the result of an investigation conducted by the Antitrust Division's San Francisco Field Office and the Federal Bureau of Investigation in San Francisco. The case was originally referred to the Department of Justice by the Federal Trade Commission.

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